

Message Text

CONFIDENTIAL

PAGE 01 PANAMA 08606 221401Z
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C O N F I D E N T I A L PANAMA 8606

E.O. 11652: GDS
TAGS: PINT, PN
SUBJECT: LOYALTY DAY SPEECHES: LOYALTY WILL COST YOU MORE

REF: PANAMA 8607

SUMMARY: SEVENTH ANNIVERSARY OF TORRIJOS' SUCCESSFUL QUASHING OF SANJUR COUP OCCASIONED MAJOR SPEECHES BY TORRIJOS ON DECEMBER 19, AND BY LABOR MINISTER AHUMADA AND GN G-2 LT. COL. MANUEL NORIEGA ON DECEMBER 16. AHUMADA SPOKE OF THE NEED FOR A PRO-GOVERNMENT POLITICAL ORGANIZATION IN THESE HARD TIMES. NORIEGA SPOKE OF THREATS TO PANAMA IN SECURITY AND CLEARLY IMPLIED THAT SUCH THREATS WOULD BE QUASHED. THREE DAYS LATER IN CHIRIQUI, TORRIJOS ACKNOWLEDGED "HARD TIMES" BY ANNOUNCING THE EARLY IMPOSITION OF NEW TAXES, CHIEF AMONG WHICH WILL BE A 5 PERCENT SALES TAX. IN EXPLICIT TERMS HE PLED FOR LOYALTY TO HIMSELF. THE REVENUE-PRODUCING MEASURES ANNOUNCED ARE HIGHLY REGRESSIVE AND WILL NOT BE POPULAR. END SUMMARY.

1. AHUMADA'S SPEECH ON DECEMBER 16 CAST A PALL OVER THE "COMING MONTHS". ECONOMIC PROBLEMS REQUIRING SACRIFICES FROM ALL, PLUS THE TREATY ISSUE WILL SUBJECT "OUR REVOLUTIONARY LOYALTY TO A HARSH TEST". THAT TEST WILL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PANAMA 08606 221401Z

"BECOME MORE ACUTE IN PROPORTION TO THE WEAKNESSES IN OUR POLITICAL ORGANIZATION".

2. AHUMADA ARGUED THE NEED FOR CONTINUATION OF POLITICAL TRAINING AND THE ORGANIZATION OF A REAL "POLITICAL BODY" -- A PERMANENT ORGANIZATION TO DISCUSS

NATIONAL PROBLEMS, TRAIN FUTURE LEADERS, AND INCORPORATE MORE AND MORE PEOPLE INTO THE "POPULAR ORGANIZATIONS". HE SHIED AWAY FROM CALLING THIS PROPOSED ORGANIZATION A POLITICAL PARTY.

3. LT. COL. NORIEGA STRUCK HARD AT SUPPOSED MENACES TO PANAMA AND HER "REVOLUTION". "A NATION CAN BE KILLED WITH BULLETS, BUT ALSO WITH DOLLARS; AND WOE UNTO THOSE WHO GO AGAINST NATIONAL SECURITY. TREASON STILL EXISTS. IT CHANGES SKIN LIKE A SERPENT, IT GROWS LIKE A TADPOLE AND HATCHES LIKE THE EGGS OF A QUAIL. SO WE ARE WAITING FOR MORE PIPE BOMBS TO COME AND EVEN WORSE. WE ARE NOT EXPECTING CHRISTMAS GIFTS FROM THOSE (EXILES) WHO HAVE LEFT. (SEE EMBASSY CABLES PANAMA 8182, 8199 AND 8284 FOR DETAILS OF THE PIPE-BOMB INCIDENT TO WHICH NORIEGA ALLUDES.)

4. THIS EXHORTATION WAS SUPPLEMENTED THE NEXT DAY BY THE MAXIMUM REVOLUTIONARY LEADER HIMSELF BEFORE A CROWD IN DAVID. "I WANT TO KNOW", TORRIJOS SAID, WHETHER THIS PEOPLE LOVES ME TRULY OR JUST CONVENIENTLY, WHETHER THIS PEOPLE WILL SQUARE UP BEFORE ITS LEADERS, AND REALIZE THAT THE WORSE THE SITUATION, THE CLOSER IT MUST BE TO HIM WHO GUIDES THE COUNTRY. HERE IS WHERE I'M GOING TO DRAW MY CONCLUSIONS BECAUSE MY ENEMIES SAY, 'THE TORRIJOS GOVERNMENT CAN'T RESIST A PRICE INCREASE.' WELL I WANT TO KNOW YOUR REACTION." TORRIJOS ANNOUNCED A NUMBER OF TAX MEASURES, MOST OF WHICH ARE REGRESSIVE. THEY INCLUDE A 5 PERCENT SALES TAX, NEW TAXES ON BEER AND CIGARETTES, AND TELEPHONE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PANAMA 08606 221401Z

AND ELECTRICITY RATE INCREASES (REFTEL).

5. ON THE NEGOTIATIONS, TORRIJOS SAID THERE WERE INDICATIONS THAT THE CARTER ADMINISTRATION HAS "GOOD INTENTIONS TOWARDS PANAMA, INTENTIONS MOTIVATED BY A "GREATER SENSE OF SHAME THAN THE OLD ADMINISTRATION" OVER THE U.S. "COLONIALIST" ROLE IN THE ISTHMUS. ALREADY PANAMA HAS RECEIVED MESSAGES "WHICH HAVE ALLOWED US TO THINK THAT WE WILL REACH AN AGREEMENT THIS YEAR--A NEGOTIATED AGREEMENT."

6. COMMENT: ALL THREE OF THESE SPEECHES UNDERLINE PANAMA'S BASIC PROBLEM: THE COUNTRY'S ECONOMIC AND FINANCIAL DIFFICULTIES AND THE MEASURES THE GOVERNMENT IS FORCED TO TAKE AS A RESULT ARE EXACERBATING AN ALREADY UNEASY POLITICAL SITUATION. TORRIJOS' APPROACH TO THE THREAT IS TO CALL FOR LOYALTY TO HIMSELF, THE JEFE MAXIMO. NORIEGA HITS THREATENINGLY AT WHAT

HAPPENS TO THOSE WHO OPPOSE THE GOVERNMENT. AHUMADA IS CONCERNED WITH HOW THE GOVERNMENT CAN CREATE INSTITUTIONS TO MAKE THE MOST OF THE SUPPORT IT HAS.

7. TORRIJOS' CHOICE OF THE WEEK BEFORE CHRISTMAS TO ANNOUNCE TAX MEASURES IS CURIOUS. LOYALTY DAY, HOWEVER, MUST HAVE SEEMED THE OPPORTUNE MOMENT TO ANNOUNCE THEM AND, HOT FROM THE FIRE, BRAND THEM WITH THE IMPRESS OF PATRIOTISM AND BUCKLE-DOWN NATIONAL UNITY. PERHAPS TORRIJOS THOUGHT THAT THE PRESS OF HOLIDAY ACTIVITIES WOULD TAKE SOME OF THE EDGE OFF OF HIS UNWELCOME ANNOUNCEMENTS.

8. FLESHING OUT THE TAX PROPOSALS WILL TAKE SOME TIME. IT IS QUITE POSSIBLE THAT THEY WILL BE DRASTICALLY CHANGED AS THE REACTION TO TORRIJOS' SPEECH COMES IN. THERE IS UNLIKELY TO BE A STRONG PUBLIC REACTION IN THE NEXT FEW WEEKS. NEVERTHELESS, IT MUST BE RECOGNIZED THAT TORRIJOS IS HITTING MOST PANAMANIAN--

CONFIDENTIAL

PAGE 04 PANAMA 08606 221401Z

CONSUMERS, RETAILERS, ETC.--WHERE IT HURTS. WHILE NO ONE DENIES THAT THE GOVERNMENT MUST TAKE DRASTIC MEASURES TO IMPROVE ITS FISCAL SITUATION, NEW TAXES ALONG THE LINES TRACED BY TORRIJOS ADD TO THE INCREASING POSSIBILITY OF POLITICAL INSTABILITY IN PANAMA IN 1977.
JORDEN

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